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RUEHRB/AMEMBASSY RABAT 2235
RUEHTRO/AMEMBASSY TRIPOLI
RUEHTU/AMEMBASSY TUNIS 7088
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SUBJECT: ALGERIA ECONOMIC HIGHLIGHTS FEBRUARY 2008

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¶1. This cable summarizes key economic developments in Algeria during February 2008, and includes:

- Motorola to Open Office in Algiers
- Bouteflika-Putin Meetings Stoke Fears of Gas Cartel
- U.S.-financed Desalination Plant Inaugurated in Algiers
- Bahraini Bank to Invest USD 3 billion in Algeria
- UAE Firm Announces USD 150 Investment in Algerian Dairy

HELLO MOTO

¶2. Motorola representatives told us that the company will open an office in Algiers by the end of March. The office will coordinate the marketing of the company's products and services in Algeria. Currently, Motorola products are marketed by individual country representatives and distributors. The opening of an office in Algiers, which has been discussed for several years, marks an important commitment by the company to the Algerian market.

GAS CARTEL: YES OR NYET?

¶3. President Bouteflika's trip to Moscow in mid-February stoked concerns that Algeria and Russia are leading a charge to create a "gas OPEC," even as both Bouteflika and Russian President Vladimir Putin avoided speaking directly about such a cartel publicly. Bouteflika did say publicly that it was important for the two gas producers to maintain a dialogue on energy issues, and that major suppliers of gas should coordinate their energy policies and work together to fight restrictive import laws in European markets. In December 2007, Sonatrach President Mohamed Meziane told the Wall Street Journal that the 2006 gas cooperation agreement between Sonatrach and Gazprom had lapsed in mid-2007, and had resulted in "nothing concrete." Russia provides the EU with 45 percent of its gas imports, and Algeria provides 21 percent. Meziane's comments helped ease European fears of gas supply restrictions or price manipulation. Relations between Algeria and Russia also seemed to cool when Algeria

announced that it wanted to return defective military aircraft purchased from Russia. But Bouteflika's trip to Moscow, along with Energy Minister Chekib Khelil's subsequent comments that a gas cartel might be in Algeria's interest, rekindled speculation that major gas suppliers like Algeria, Russia and Qatar may try to elevate the position of the Gas Exporting Countries Forum (GECF).

(DESALINATED) WATER FOR EVERYONE

¶4. On February 24, in a ceremony attended by the Ambassador and OPIC President and CEO Robert Mosbacher, President Bouteflika inaugurated the Hamma Seawater Desalination Plant in Algiers. The plant, touted as Africa's largest, represents a USD 248 million investment and will produce up to 200,000 cubic meters of drinkable water per day. The project is a joint venture between General Electric Ionics, which holds a 70 percent stake in the plant, and state-owned Algerian Energy Company (AEC), which owns the remaining 30 percent. OPIC provided a USD 200-million loan guarantee for the project.

¶5. The plant is the first large-scale joint venture reverse osmosis plant in North Africa, and is the first of a total of 14 desalination plants planned by the Algerians. The desalination plants are an effort by Algeria to address significant shortages of potable water. Two additional plants are expected to be completed in 2008: one in Beni Saf, in western Algeria, that will produce 200,000 cubic meters per day and one in Skikda, in eastern Algeria, that will produce 100,000 cubic meters per day. At the inauguration, Energy Minister Khelil announced a target of 2.3 million cubic meters of potable water per day from seawater by 2011.

BAHRAINI INVESTMENT IN ALGERIA

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¶6. On February 19, the Bahrain Gulf Finance House (GFH) announced plans to invest USD 3 billion to create an economic development zone in Bouinan, Algeria. GFH plans to target companies in the energy, finance, telecommunications and tourism sectors to locate in the zone. The announcement followed the signing in January of a framework agreement between the Algerian and Bahraini governments during an international tourism meeting in Algeria. If the project moves forward, it would represent the largest Bahraini investment in Algeria to date.

EMIRATIS INVESTING IN COWS AND CONDOS

¶7. On February 13, the Emirates International Investment Company (EIIC) announced plans to invest USD 150 million in the Algerian dairy sector. The investment in the western Algerian region of Tiaret would create the largest dairy operation in Africa. EIIC intends to raise 10,000 cows for the production of 90 million liters of milk and 3,000 tons of meat annually. Algeria's milk production relies heavily on imported milk powder, the price for which has increased from USD 1800 to 3500 per ton in recent years. The EIIC initiative would not only reduce Algerian milk imports, which totaled USD 1.06 billion in 2007, but it also would reduce the cost of milk subsidies by the government. In addition to the dairy project, EIIC also announced a plan to build a residential and commercial park in Algiers worth USD 5 billion.

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